African Journal of Emerging Issues
Peer reviewed | Double blind | Interdisciplinary

African Journal of Emerging Issues
(AJOEI)
Online ISSN: 2663 - 9335
Available at: https://ajoeijournals.org

FINANCE
AND
ACCOUNTING

REGULATORY FRAMEWORK EFFECT ON THE NEXUS BETWEEN EXTERNAL CORPORATE GOVERNANCE MECHANISMS AND FINANCIAL PERFORMANCE OF CROSS-LISTED COMPANIES AT EAST AFRICAN COMMUNITY REGION

[1*]Titus Mutambu Mweta, [2]Dr. Ambrose Jagongo and [3]Dr. Festus Mithi

[1] PhD Business Administration (Finance) Candidate, Department of Accounting and Finance, School of Business, Economics and Tourism, Kenyatta University

[2] Senior Lecturer, Department of Accounting and Finance, School of Business, Economics and Tourism, Kenyatta University

[3] Lecturer, Department of Accounting and Finance, School of Business, Economics and Tourism, Kenyatta University

Email of corresponding author: mweta.mutambu@gmail.com

Publication Date: April 2024

ABSTRACT

Purpose of the Study: The general objective was to investigate the regulatory compliance index effects on the external corporate governance mechanisms and financial performance interactions. It was based on the ideas of agency, stewardship, stakeholders, and resource dependence theory.

Statement of the Problem: Despite EAC region partners investing heavily to improve market infrastructure and promote securities integration, the companies cross-listed in these markets have recorded significant decline in financial performance with dwindling liquidity and profitability evidenced by the increasing number of profit warnings issued, closed operations, securities markets suspensions, mergers & acquisitions, and restructuring.

Methodology: This study was grounded in the positivistic research philosophy. Explanatory non-experimental research design was used. Through purposive sampling, 9 companies formed the sample size. Secondary panel data extracted from audited annual reports from 2013 to 2022 was used. Diagnostic tests were performed to validate adherence to the principles of the classical linear regression model. Data was analyzed with descriptive and inferential statistics. The Whisman and McClelland (2005) moderation procedure was employed to investigate the effect of the regulatory framework.

Results: The Feasible Generalised Least Squares panel multiple regression analysis yielded a significant relationship between the corporate block holding and ROA however there was no statistically significant association between corporate block holding and Tobin Q. The study also discovered a statistically significant association between product market dominance and ROA. Independent auditors demonstrated an inverse relationship with ROA, while their connection with Tobin Q was not statistically significant. The findings of this study documented that the regulatory framework moderates the correlation between independent auditors, product market dominance, and ROA and does not have a statistically significant effect on corporate block holding and ROA correlations.

Recommendation: This study proposes that market policy makers should work together to develop and administer the regulations and guidelines on board independence to bolster the significance of board autonomy and boost transparency to improve decision-making.

Keywords: *Corporate governance, regulatory frameworks, financial performance, cross-listed, moderating variable, east African community region.*

INTRODUCTION

The East African Community is a collaboration of six independent nations including Tanzania, Uganda, Kenya, Rwanda, Burundi, and South Sudan (CFA Institute Research Foundation, 2022). It stands at a critical turning point, and it has a mandate to promote the company's growth, regulate, supervise, and open avenues for trading within the region (East African Community Report, 2016). The EAC capital markets have made commendable improvements over the years. This transformation has contributed to relatively high growth and increasing financial performance although not as expected. Increasing investor training, automation of trading, and regulations has stimulated interest in investment in the markets (East African Community Report, 2016). Financial performance is a critical element for every business and highly considered in financial management that has triggered serious attention from researchers, the community, and the managers of companies. Poor financial performances due to internal corruption and financial irregularities in private and public corporations across the world have largely contributed to corporate failures such as (CMC Motors, 2011; Mumias Sugar, 2015; Volkswagen, 2015; Uchumi Supermarket, 2016; Dick Smith, 2016; Sports Direct, 2016; Carillion, 2018 and Wirecard, 2020 and others). The global business environment has dramatically changed due to the financial challenges experienced globally from 2007-2009 with global companies pursuing emerging markets to expand and grow their businesses. The failure of Banco Espirito Santo Portugal-based commercial bank in 2014 due to financial irregularities and precarious financial situation, Wirecard in Germany in 2020 which was declared insolvent due to rampant accounting malpractices, Dick Smith in Australia whose share value reduced by 80% in 2016, closure and withdrawal of companies such as Target's, DIY US based company and Walmart another

American retail giant was largely attributed to the unfriendly business environment, cultural differences, poor marketing strategy, poor timings, and high taxation which exposed weaknesses in corporate boards decision making which largely contributed to the companies downfall (Seale, 2020).

Declining financial performances largely contributed to poor performance in companies based in United Kingdom as a result of boards failure, inaccurate accounting, and excessive directors' remunerations sent shockwaves in the corporate world with at least one in every 213 companies declared insolvent in 2017, 16,027 companies failed in 2018 with 6.8% increase in underlying companies insolvency in 2019 to 17,196 which recorded the highest number of companies falling under liquidation since 2013. In January 2018, the failure of Carillion, which marked one of the biggest corporate collapses in the country for decades negatively affected many sectors in the UK due to its operational connections in many industries in the UK and abroad. The failure of other high-profile companies such as British steel in May 2019 and Thomas Cook in September 2019 raised many queries on the reforms carried out in corporate governance (Mujih, 2020). Claessens and Yurtoglu (2013) argued that during the financial stress in Russia, Asia, and Brazil in 1998, the behavior of companies greatly influenced economies, and missing functioning corporate governance destabilized financial operations globally. In United States and Europe financial scandals were largely experienced in 2002 with the failure of big and respected companies (Holmstrom & Kaplan, 2003). Poor corporate governance mechanisms in Malaysia in 1997/1998 were exposed by the financial challenges in Asian which contributed to listed companies reporting higher long-term debts and huge current liabilities (Claessens et al., 2000) leading to financial stress (Abdullah, 2006) and the failure of companies such as Perwaja Steel, Renong Berhad and KFC Holding (Haniffa & Hudaib, 2006).

Decreased financial performance, declining profits, and liquidity problems were resulting to corporate failures in companies within the East African Community such as the Euro Bank in 2003, Daima Bank in 2005, Kiwira and Meremeta mining company, Richmond Development Company (RDC), Dowans Electricity Company (DEC), EPA in Tanzania, and Trust Bank Uganda in 1999 which was largely attributed to inadequate control systems and poor corporate governance, internal trading among the directors and shareholders (Cheserek 2007 & Fulgence, 2014). According to Capital Market Authority (CMA) Report (2018), at least eight firms such as Uchumi Supermarkets, Athi River Mining, and Mumias Sugar Company share prices significantly dropped below the par value risking investors' wealth. The decline in performance was largely attributed to liquidity and corporate governance challenges. In 2019, Kenol Kobil was suspended from trading at NSE due to insider trading allegations. According to the corporate governance report (2019) released by CMA, 13% of listed cross-listed companies such as Uchumi supermarket, National Bank, Transcentury, and Kenya Airways recorded significant corporate governance issues related to fraud, lack of board supervision, non-disclosures, and lack of transparency. The success of a firm doesn't solely depend on its efficiency, innovation, and quality of management. The consistency in poor financial performances trend reported more stable nations, emerging markets, and upcoming countries largely contributed to the adoption and reforms in corporate governance mechanisms to avert company failures and safeguard shareholders' interests (Tadesse, 2004). Adoption of effective corporate governance mechanisms, increased wave of regulations, increased costs and complexity of monitoring and managing businesses largely contribute to increasing owner's wealth by managers and prevent and control similar problems in the future (Tadesse, 2004).

STATEMENT OF THE PROBLEM

Despite EAC region partners investing heavily to improve market infrastructure and promote securities integration, the companies cross-listed in these markets have recorded significant decline in financial performance with dwindling liquidity and profitability evidenced by the increasing number of profit warnings issued, closed operations, securities markets suspensions, mergers & acquisitions, and restructuring (CMA & CMSA, 2022). Average ROA has consistently been declining from 2013-2022 (CMA & CMSA, 2022). Few studies carried out on independent auditors and financial performance support positive and significant results (Al-ahdal and Hashim, 2021; Meah, Sen & Ali, 2021) while other studies provide mixed results such as (Al-Ani & Mohammed, 2015). Some studies (Kajim, 2020) argue that correlation between corporate block holding, and financial performance is null while (Abedin et al., 2022; Tanui, 2021 & Eluyela at al., 2020) advocates for a significant and a direct connection between the variables. While some studies (Königsgruber et al., 2021; Thu & Minh, 2022) reported a indirect association between the variables, others (Mubeen et al., 2022; Shin & Lee, 2023; Liu et al., 2020) corroborate the direct correlation of product market dominance and companies' financial performance. Most studies on external CG were conducted in developed and emerging markets. Within developing markets, namely in East African nations, most of the research primarily examined internal CG mechanisms, neglecting the exploration of external CG mechanisms. Numerous studies that were carried out failed to appreciate the effect of a moderator variable on the connectedness between financial success and corporate governance. To improve the efficacy and efficiency of CG procedures, this study used a holistic methodology by looking at how regulatory frameworks affect the interactions between external CG frameworks and financial performance. This research focused on firms that are cross listed in the EAC region. Specific criteria or stand-alone factors were utilized to assess financial performance. This research acknowledges the significance of considering several indicators of financial performance due to their distinct responses to corporate governance procedures. Financial performance was evaluated by utilizing the financial metric of ROA and Tobin's Q which indicates the market value.

RESEARCH OBJECTIVES

i. To establish the association between independent auditors and financial performance of the publicly cross-listed companies at the East African Community Region
ii. To determine the association between corporate block holding and financial performance of the publicly cross-listed companies at East African Community Region.
iii. To establish the association between product market dominance and financial performance of the publicly cross-listed companies at the East African Community Region
iv. To assess the regulatory framework moderation effect on the association between external corporate governance mechanisms and the financial performance of the publicly cross-listed companies in East African Community Region.

RESEARCH HYPOTHESES

i. H_{01}: Independent directors don't have a significant association on financial performance of the publicly cross-listed companies at the East African Community Region.
ii. H_{02}: Executive director's remuneration doesn't have a significant association on financial performance of the publicly cross-listed companies at East African Community Region.

iii. ***H_{03}:*** Executive director's shareholding doesn't have a significant association on financial performance of the publicly cross-listed companies at East African Community Region.

iv. ***H_{04}:*** Regulatory framework does not significantly moderate the association between external corporate governance mechanisms and financial performance of the publicly cross-listed companies in the East African Community Region.

THEORETICAL REVIEW

Agency Theory

"Agency theory" was originally proposed independently and concurrently by (Stephen Ross & Barry Mitnick, 1973). This theory is embedded in the agency association and management of self-interest, where shareholders assign management to perform their work (Alchian & Demsetz, 1972; Eisenhardt, 1989). The assumptions of this theory can be traced in the arguments of (Adams & Smith, 1976) that you can't expect directors or managers to be more careful & caring about other people's money as would if it belongs to them. Conflict due to divergence of ownership and control is experienced when management fail to maximize shareholder's returns due to an increase in expenses that are not incurred when the owners and managers are the same (Berle & Means, 1976). This theory was employed in this study to support and provide a foundation for the analysis of financial performance. Agency theory assumptions suggest that effective CG procedures can harmonize executives and corporate board members' interest with those of shareholders. This alignment promotes operational efficiency and optimal allocation of resources within the firm, ultimately leading to improved financial performance and increased returns for shareholders. This hypothesis also advocates for the correlation between independent directors and financial performance.

Stakeholder Theory

Freeman (1989) developed stakeholder theory which claims that in the world of today, managers are said to have an association that is implied with shareholders and other outside parties or stakeholders. Managers' provision of information is more useful to many users within and without the organization including shareholders and other stakeholders because through full disclosure stakeholders have continuous access to information that is critical that the firm might control (Hill & Jones, 1992). It serves as the primary factor influencing corporate policies, encompassing both corporate governance procedures and financial performance. This theory also explains the function of independent directors and auditors in ensuring that the board is independent, increases transparency, and independent auditing that instills confidence among stakeholders.

Resource Dependence Theory

Pfeffer (1972) founded this theory. Pfeffer argued that corporate boards do enable companies to gain resources and minimize dependence by explaining how the reduction of environmental interference to minimize uncertainties in organizations is done. Pfeffer (1972) used this theory to investigate the performance of company boards by majorly focusing on the size of the boards and composition and structure of ownership as the key indicators of ability in ensuring critical resources are provided. Kor and Misangyi (2008) confirmed that resource dependency theory helps to comprehend how entities boards affect financial performance through the efficient allocation of available resources. The resource-dependence approach highlights the importance of recruiting independent directors to strengthen and safeguard the company from unexpected influence,

thereby reducing anomalies and the risk of resource co-option. This, in turn, enhances the organization's capacity to enhance its recognition, status, and fundraising capabilities.

Stewardship Theory

Davis, Schoorman, and Donaldson (1997) started and defined it as one in which a steward maximizes and protects the wealth of shareholders through the performance of firms because when shareholder's wealth increases the utility functions of stewards are maximized. Management and executive directors are stewards working to safeguard shareholders investments and increase profitability. It assumes that stewards are satisfied when an organization is successful (Donaldson & Davis, 1991). This theory also underpins executive director's remuneration which is linked to financial performance because if the board of directors and managers perform their responsibilities as required by shareholders to protect their wealth and increase profitability, their payment or remuneration in the form of salaries, fees, bonuses, and allowances for the services provided is expected to increase as a reward for a good performance.

EMPIRICAL REVIEW

Independent Auditors and Financial Performance

Research by Al-ahdal and Hashim (2021) revealed a noteworthy association on the caliber of external audits and the financial performance of non-monetary listed public enterprises on the National Stock Exchange. The study also emphasized the impact of audit committee qualities on this correlation. The financial performance was evaluated utilizing the market metric known as Tobin Q. Information was collected from 74 non-monetary corporations in India from 2014 to 2019. 74 companies formed the sample size. The study encompassed all financial data recorded at EACCM to mitigate or eradicate any potential sampling bias. This study specifically focused on a certain subgroup of firms that are publicly traded. The study included both monetary and non-monetary entities that are listed on the EACCM. This study utilized a short length of 5 years, whereas the research was prolonged to 10 years to increase the amount of data points. The random effect one-way panel data regression model was suboptimal for studying this dataset. This study utilized a panel data model to tackle the issue of both random and fixed effects that are present in the data.

Rahman, Meah, and Chaudhory (2019) conducted a study to investigate audit characteristics effect on the financial performance of manufacturing firms on the Dhaka Stock Exchange. The audit aspects include the external audit performed by the four largest accounting firms (BIG4), the frequency of formal gatherings conducted by the audit committee, and the dimensions of the audit committees. ROA, EPS, and profit margin were utilized as indicators to evaluate financial performance. From 2013 to 2017, a thorough examination was carried out on a combined total of 503 entities. The inquiry entailed doing a multivariate regression utilizing the pooled ordinary least squares (OLS) methodology. The findings indicated a robust and favorable association between the caliber of external audits performed by the four leading audit firms (BIG4) and both the quantity of audit committees and financial performance. An inverse correlation was identified between the occurrences of audit committee gatherings and financial performance. A total of 503 firms were included in this research study. All firms listed at EASCE were included in this analysis, which is noteworthy. The research was carried out in an emerging market, primarily focusing on developing countries within the EASCE region. The study lasted for a period of 5 years, during which a 10-year timeframe was used to analyze the interaction between external auditors and financial performance. This study specifically targeted a certain subset of manufacturing

organizations, with a specific focus on analyzing all the companies registered on EASCE. The utilization of the pooled ordinary least squares (OLS) model was deemed inappropriate for this investigation. The current study utilized a panel data analysis model that integrates both cross-sectional and longitudinal data.

In their study, Al-Ani and Mohammed (2015) analyzed auditor quality on the financial performance of three sectors - industrial, finance, and service - in the Sultanate of Oman. This study examined 112 enterprises that were listed on the Muscat Securities Market from 2009 to 2013. The examination of audit quality was performed in the presence of auditors from different audit firms. The assessment of financial performance relied on metrics such as ROA, ROE, and MFV. The findings demonstrated a distinct association between auditors affiliated with the Big 4 accounting firms and financial performance, as evaluated through ROE and market-to-book value (MFV). The study revealed that within the industrial sector, there exist connections between auditors affiliated with Big 4 firms and those affiliated with non-Big 4 enterprises, which in turn impact the financial performance, as quantified by the return on equity (ROE). The findings indicate that there is a substantial correlation between auditors from Big 4 and non-Big 4 corporations in the finance and service sector, and financial performance, as assessed by market-to-book value (MFV). A 5-year timeframe was not enough to sufficiently evaluate the influence of the auditor's quality on financial success. The current inquiry extended the timeframe to a period of 10 years. This study specifically examined the market areas that include all sectors of the economy for the cross-listed enterprises at EACCM.

Corporate Block Holding and Financial Performance

Abedin, Haque, Tanjina, and Kabir (2022) assessed corporate block holding on the financial performance of 180 publicly traded entities in Bangladesh between 2008 and 2018. This study reported that both domestic and international corporate block ownership have a direct effect on financial success, as assessed by ROA and Tobin's Q ratio. Further this study affirmed that the board size and independence in the corporate boards mediates the interactions between corporate block holding and financial performance. Only one segment of the market was considered, this research was based on 4 market segments within EAC regions. This study used the ordinary least squares which is not appropriate for longitudinal data, this research adopted panel multiple regression models. A study by Tanui (2021) on the corporate block holding effect on the financial performance considering the moderation-mediation function of capital structure and corporate diversification for 35 cross-listed companies at NSE from 2003 to 2017 indicated that corporate block holding, and financial performance interaction is direct and material considering the effects of corporate diversification. This study focused on a specific area of the market, namely the NSE. It expanded the existing literature by encompassing all cross-listed businesses within the 4 EAC region. The study conducted by Eluyela et al. (2020) analyzed panel data from 15 deposit-taking banks listed on the Securities platform in Nigeria from 2011 to 2018. It reported a strong and statistically significant correlation between the ownership of large blocks of shares by institutions and the financial performance of banks. This study exclusively focused on a single segment of the economy, specifically banks. This research considered all sectors of markets for cross-listed companies within EAC securities exchange.

Kajim (2020) carried out a study to investigate whether Institutional block holding affects the firm’s performance based on 598 cross-listed companies in Germany from 2010 to 2018. The research affirmed that interaction between Institutional block holding, and performance is no-

difference. This research was undertaken in Germany, a more advanced economy, this research was undertaken in developing countries within the EAC region. Huang and Lu (2020) in their study on institutional block holders' effect on firm's performance variability using S & P 1500 firms from 1996 to 2006 found that firms with less variability in their performance have more institutional block holders due to reduced capital expenditures, investments on research and investments and reduced acquisition. In the study period is too old; the current study considered more recent period 2013 to 2022. In this study, data was collected in the US market only, this research was based on different market segments within EAC markets. This research was undertaken in more developed markets while a current study was carried out in developing countries for easy replicability.

Product Market Dominance and Financial Performance

A study on product market dominance and performance conducted by (Liu et al., 2022) in China Stock Markets based on 1668 observations from 2016 to 2020 analyzed reported a direct interaction of market competition and performance advocating that strong product dominance plays a significant role in realizing better performance in China. This research was undertaken in more developed markets, this research was carried out in developing markets within EAC region. This study was based on a 5-year period which doesn't permit the researcher to observe the long-run association between the variables, however the current study considered a 10-year period. Thu and Minh (2022) carried out a study using state shareholding as a moderation variable in product competition and companies value measured by ROA and Tobin Q from 2011 to 2019 using five hundred and fifty-five (555) firms quoted in Vietnam's stock market. The findings found a inverse interaction between product market dominance and a firm's values while the firms with state shareholding had a stronger association between the variables. This research was undertaken in one segment of the market, this study was undertaken in different segments of the markets within EAC. ROA was used to indicate companies value together with Tobin Q but instead ROA and TOBIN Q formed key indicators of performance.

Babar and Habib (2022) examined whether operating leverage is affected by product market dominance based on international companies in 46 countries between 1985 and 2019. Product market dominance was measured using the Hirschman - Herfindahl index and the industry revised Price Cost Margins. The findings show that product market dominance is strongly correlated to the company's strategy to grow revenue to increase companies' profit (operating leverage). This research was undertaken in developed markets, this research was carried out in developed markets. In their study, Mubeen et al. (2022) analyzed the correlation between product market dominance and performance in Chinese publicly traded enterprises. The researchers utilized a panel data set comprising 2502 firms spanning the years 2012 to 2017. The results indicated that the company's success is directly impacted by its market dominance in the product sector. This study was conducted over a span of 5 years, during which a 10-year period was examined to observe various correlations. This research focused exclusively on a specific segment of the developed market, namely all cross-listed businesses in developing countries within the East African Community (EAC) region. Shin and Lee (2023) examined the impact of product market dominance on investment decisions of Korean-listed enterprises between 2001 and 2020. They reported a clear connection of product market dominance and performance of entities, especially for enterprises operating in the high-tech sector of the market. This implies that intense product competition motivates corporations to adopt competitive tactics that enhance efficiency. The compliance laws effect on the correlations between the variables is not considered in this study. This study's primary

focus was on wealthy nations, in contrast to the present study which was conducted in underdeveloped countries. This study was conducted within a specific market niche, specifically focusing on the EAC region.

Corporate Governance, Regulatory Framework and Financial Performance

Daidai and Tamnine (2022) undertook a study on CG code influence on the management practice of quoted firms in Morrocco using panel sample data of 54 non-monetary companies from 2013 to 2022 found that publicly quoted firms have greatly adhered to the governance code. Further, the results affirmed that there exists an inverse interaction between code compliance, the evolution of codes, and accounting and earnings management while governance code compliance and quality of reporting recorded a positive association. This study was based on one sector of the market non-monetary companies, this work was based on both financial and non-monetary companies cross-listed within EAC markets.

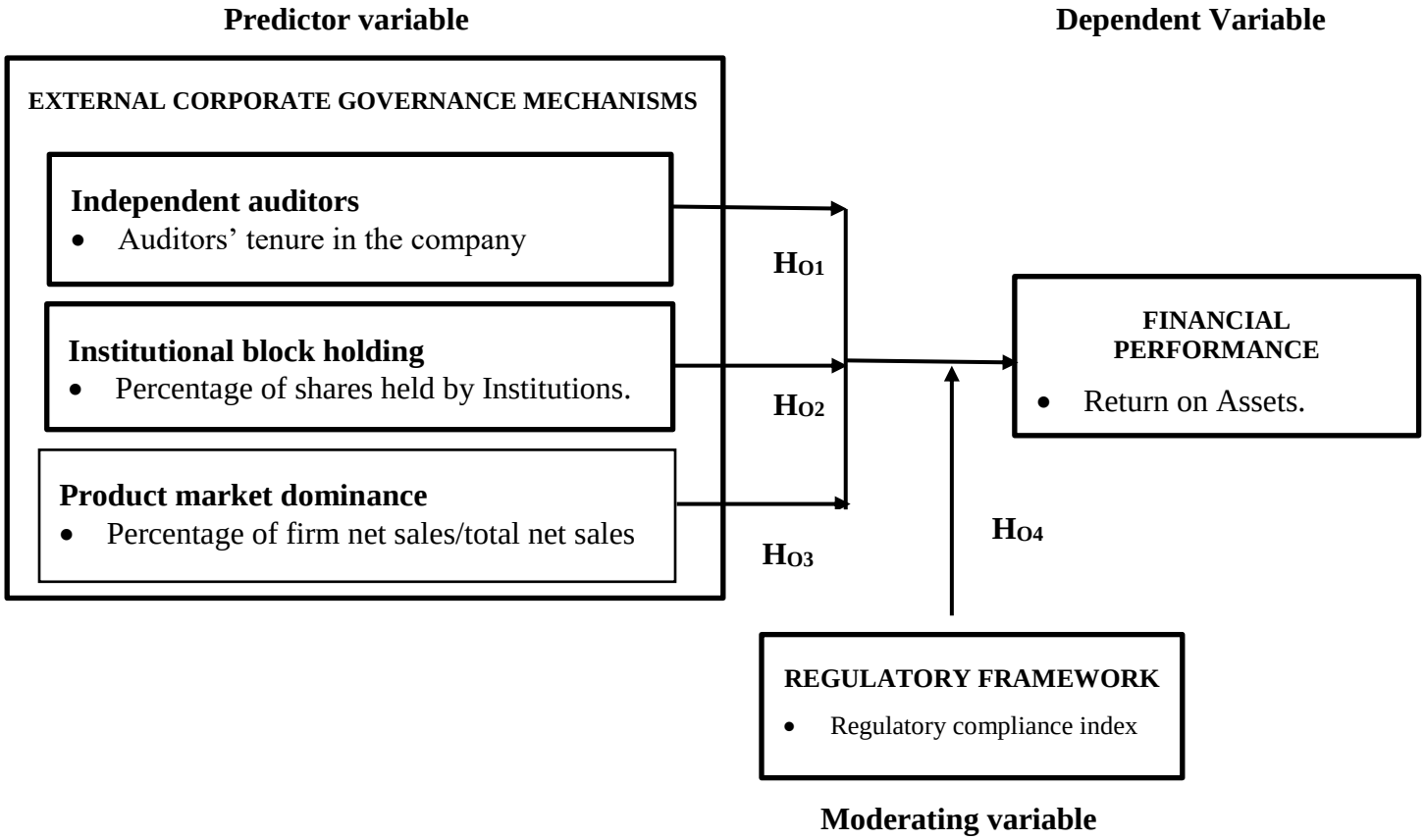
Tariq, Ejaz and Bashir (2022) studied corporate governance codes impact based on 11 economies selected based on GDP growth rate in Asia and United Nations corporate governance guidelines and compliance level of 15 non-monetary companies in each country with set guidelines. The findings indicated that Pakistan and the Philippines corporate governance codes have higher percentage of adherence to the UN corporate governance guidelines while India and China are ranked low on based on scores compliance. Malaysian, Indonesian, Indian, and Chinese recorded the highest compliance towards the United Nations requirements on CG compared to their national corporate governance codes. This research was undertaken in emerging economies, this research was carried out in developing countries within EAC markets. This study was based on a sample selected on GDP growth rate; this research included all cross-listed companies within EAC region.

A study by Aluchna and Kuszewski (2021) on corporate governance best practices compliance using a time series sample of 126 firms cross-quoted at the Warsaw Stock Exchange from 2006 to 2019. The findings show an increasing number of company compliance which contributes to increased compliance quality and increasing length of conformity to corporate governance codes. This study used time series data, this research used panel data to expand data points and observe the changes over time. This study was based on a sample that is pruned to sampling errors; this research focused on all cross-listed companies trading at EAC region. This research was undertaken in one segment of the market, this research was based on an EAC trading block comprising 4 listed securities.

CONCEPTUAL FRAMEWORK

Figure 1 shows conceptual model used to analyze the connectedness between external CG mechanisms, as indicated by the company's dominance in the product market, the tenure of independent auditors, the percentage of institutional holdings and financial performance. The model also employs two more indicators to assess financial success that’s Tobin's Q and ROA. The regulatory compliance index served as the moderator variable in the analysis of how ECG mechanisms affected financial performance.

Figure 1: Conceptual Framework



Source: Researcher, 2023

RESEARCH METHODOLOGY

This study adopted positivistic research philosophy. This philosophy depends majorly on quantifiable observations that involve the application of scientific tools. A study by Crowther and Lancaster (2008) suggested that positivistic studies are usually associated with deductive reasoning where the researcher is allowed to concentrate on the facts. As suggested by Orlikowski and Baroudi (1991) that positivistic is used where there are hypothesis testing, measurable variables, and general application of findings from the sample to the entire parameters in the population. To explain CG mechanisms and the financial performance interactions of cross-quoted firms in the EAC region, this study used an explanatory-nonexperimental research design. Saunders et.al, (2009) & Robson (2002), the explanatory research design is used to investigate whether a causal association exists between two or more variables. This study employed quantitative secondary data. The obtained data consisted of longitudinal data for the years 2013-2022. By incorporating longitudinal data, the sample size is expanded, hence improving both the quality and quantity of the obtained data (Gujarati, 2003). For the 10 years study period that's 2013 to 2022, only nine (9) out of eleven (11) companies targeted remained cross-listed in different securities/stock exchanges. Some two (2) companies that's Kenya Airways and Uchumi supermarket were suspended from trading at securities/stock exchange in 2018 due to CG and liquidity problems because of significant decline in earnings and share price drop which made it difficult to meet

minimum regulatory requirements and financial obligations. To support collection of balanced panel data, this study adopted a purposive sampling approach for cross-listed companies at different securities/stock exchanges.

General Model

The general empirical model was:

$FP_{it} = \alpha + \beta_1 X_{it} + E_{it}$……...(3.1a)

This equation was transformed by defining $\boldsymbol{E_{it} = V_i + U_{it}}$ as shown below

$FP_{it} = \alpha + \beta_1 X_{it} + V_i + U_{it}$ ……..……(3.1b)

Where:

FP_{it} is the financial performance (response or dependent variable) of the company *i* at time *t, i* represents companies (1… 9 cross-listed) while t is the time t = 2013… 2022. X_{it} is the independent variable, β_1 is the expected value of coefficient, α is the constant term, V_i *is* the heterogeneity effects, U_{it} denotes idiosyncratic disturbances and $\boldsymbol{\varepsilon_{it}}$ is the residual errors.

Equation 3.1 was extended to develop equations 3.2 & 3.3 to estimate coefficients that was used in examining hypotheses one to six investigating external CG mechanisms and financial performance interactions as follows:

$FPi_1t = \alpha + \beta_1 IA_{it} + \beta_2 CBH_{it} + \beta_3 PMD_{it} + E_{it}$…… .(3.2)

$FPi_2t = \alpha + \beta_1 IA_{it} + \beta_2 CBH_{it} + \beta_3 PMD_{it} + E_{it}$……...(3.3)

Where:

FPi_1t = Financial performance measure of the company = Return on Asset at time *t*

FPi_2t = Financial performance measure of the company = TOBIN Q at time *t*

α = Constant or intercept, IA_{it} = Independent auditors of the company i at time t, CBH_{it} = Corporate block holding of the company *i* at time *t,* PMD_{it} = product market dominance of the company *i* at time *t,* $\beta^{s} =$ Coefficients of independent variables and E_{it} = Composite error terms.

Moderation Test

Whisman and McClelland's (2005) moderation test assessed the regulatory framework moderation effect on CG mechanisms and financial performance interactions. In step one the regulatory compliance index was entered as a predictor or explanatory variable and in step 2 as a moderator variable.

This study specified equations 3.4, 3.5, 3.6 & 3.7 as follows:

STEP 1: Regulatory compliance index as an independent variable

$FPi_1t = \alpha + \beta_1 IA_{it} + \beta_2 CBH_{it} + \beta_3 PMD_{it} + \beta_4 RCI_{it} + E_{it}$……(3.4)

$FPi_2t = \alpha + \beta_1 IA_{it} + \beta_2 CBH_{it} + \beta_3 PMD_{it} + \beta_4 RCI_{it} + E_{it}$……(3.5)

STEP 2: Regulatory compliance index as a moderator variable

$FPi_1t = \alpha + \beta_1 IA_{it} + \beta_2 CBH_{it} + \beta_3 PMD_{it} + \beta_4 RCI_{it} + \beta_5 IA_{it} * RCI_{it} + \beta_6 CBH_{it} * RCI_{it} + \beta_7 PMD_{it} * RCI_{it} + E_{it}$ ……(3.6)

$FPi_2t = \alpha + \beta_1 IA_{it} + \beta_2 CBH_{it} + \beta_3 PMD_{it} + \beta_4 RCI_{it} + \beta_5 IA_{it} * RCI_{it} + \beta_6 CBH_{it} * RCI_{it} + \beta_7 PMD_{it} * RCI_{it} + E_{it}$ ……(3.7)

Where:

FPi_1t = Financial performance measure of the company = Return on Assets at time *t*

FPi_2t = Financial performance measure of the company = TOBIN Q at time *t*

RCI_{it} = Regulatory compliance index of the company i, at time *t*

RESULTS AND DISCUSSIONS

Descriptive Statistics

A succinct summary of descriptive statistics is provided in table 1, which also includes the average or mean, variability measure-standard deviation, minimum values and maximum values for several variables, including return on assets, Tobin Q, independent auditors, corporate block holding, dominance of a particular product market, and regulatory framework.

Table 1: Descriptive Statistics

Variable	Observations	Mean	Std. dev.	Min	Max
Return on Assets	90	.05724	.04609	-.01250	.22135
Tobin Q	90	.80362	.26932	.27599	1.8471
Independent auditor's	90	4.4666	2.1836	1	10
Corporate block holding	90	.96411	.03529	.85123	1
Product market dominance	90	.11111	.09627	.00427	.68038
Regulatory framework	90	.80714	.16843	.28571	1

Source: Research, 2023

Table 1 indicates the average ROA for the 90 values in the data set was 0.05724, with a variability of 0.04609. The observed values ranged from -0.01250 to 0.22135, which were the lowest and highest values respectively. The negative minimum number implies that some organizations saw a declining trend and most likely reported losses, however the positive mean shows the positive performance trend of respectable enterprises. Tobin Q, which measures a company's financial performance, had a mean return of 0.80362. Its greatest value was 1.8479, and its minimum value was 0.27599. Its standard deviation was 0.26932. Tobin Q's positive value suggests that most enterprises experienced significant success. However, a score as low as 0.27599 implies that certain businesses may still be having difficulty raising their profits. The ninety observations made by the independent auditors yielded an average of 4.4666, a variability of 2.1836, and a range of values from 1 to 10. The average figure of 4.4666 represents the length of time a business has collaborated with the same auditor. The outcomes supported Al-ahdal and Hashim's (2021) findings, which indicated that a financial success is directly impacted by the length of time it works with an audit firm. When the value is highest over a ten-year period, it means that most organizations have been using the same auditor for a considerable amount of time.

The corporate block holding has the following values: minimum = 0.85123, or 85.123%; maximum = 1, or 100%; mean = 0.96411, or 96.411%; standard deviation = 0.03529. Based on an average fraction of 96.411%, most of the enterprise's ownership was held by both local and global institutions. While the lowest number, 85.123%, showed that non-institutional shareholders possessed or were awarded 15% of the total shares in other businesses, the highest number, 100%, demonstrated that certain businesses were wholly controlled by institutions. The ownership of these companies differed by a very little amount (0.03529). The outcomes confirm the findings of Tanui (2021) and Abedin et al. (2022), who discovered a direct link of entities financial performance and a higher degree of institutional ownership. The average value of the product market domination is 0.11111, or 11.111%, with a 0.09627 standard deviation. 0.00427 and 0.68038 are its lowest and maximum values, respectively. With an average market share of 11.11111%, most of the businesses examined in this research fall within the lowest and maximum market share ranges of 68.038% and 0.427%. Additionally, Shin & Lee (2023) and Mubeen et al. (2022) discovered a clear connection between a business's domination of the product market and its financial performance.

Hausman Tests

Table 2: Hausman Test Based on ROA

	Coefficients			
	(b)	**(B)**	**(b-B)**	**sqrt(diag(V_b-_B))**
	fixed	**random**	**Difference**	**Std. err.**
Independent auditors	-.0063548	-.0070093	.0006545	.
Corporate block holding	-.3893278	.4417879	-.8311158	.3792465
Product market dominance	-.0401668	.0075597	-.0477265	.
b = Consistent under H0 and Ha; obtained from xtreg. B = Inconsistent under Ha, efficient under H0; obtained from xtreg. Test of H0: Difference in coefficients not systematic chi2(8) = (b-B)'[(V_b-V_B)^(-1)](b-B) = 62.99 Prob > chi2 = 0.0000				

Source: Research, 2023

To validate either Fixed Effect or Random Effect Model using return on assets as response variable was chosen based Hausman specification tests. The no-difference hypothesis investigated was that the model follows random effect model. The fixed effect model is selected if the significance level is 0.05 or less, which supports the alternative hypothesis. When the Hausman test was conducted at a significant level of 5%, the results showed a chi-square value of 62.99 and a p-value of 0.0000. At a significance level of 5%, the findings show that the chi-square value=62.99 was statistically significant ($p<0.05$). Consequently, the researcher rejected the null hypothesis that the random effect model is preferable than the fixed model when using return on asset (ROA) as the response variable.

Table 3: Hausman Test Based on TOBIN Q

	Coefficients			
	(b)	(B)		(b-B)
sqrt(diag(V_b-_B))	fixed	random	Difference	Std. err.
Independent auditors	0031412	-.0035032	.0066444	.
Corporate block holding	.7597645	.664648		.0951165
1.938453				
Product market dominance	.0643796	-.0892768	.1536564	.
b = Consistent under H0 and Ha; obtained from xtreg. B = Inconsistent under Ha, efficient under H0; obtained from xtreg. Test of H0: Difference in coefficients not systematic chi2(8) = (b-B)'[(V_b-V_B)^(-1)](b-B) = 32.27 Prob > chi2 = 0.0001				

Source: Research, 2023

To validate either Fixed or Random Model using TOBIN Q as response variable, Hausman specification tests were performed. Whether the variable model is preferable to the fixed effect model was the no-difference hypothesis that was investigated. If the constant model is selected, the alternative hypothesis is accepted if the p-value < 0.05. At 5% significance level, the Hausman test chi-square value was 32.27, p-value = 0.0001<0.05. The findings show that, at a significant level of 5%, the chi-square value produced was favorable. The researcher disproved the null hypothesis, which states that when using Tobin Q as the response variable, the random model is adopted.

Table 4 Testing for Time-fixed effect or OLS (ROA) model

ROA	Coefficient	Std. err.	t	P>|t|	[95% conf.	interval]
Independent auditors	-.0058572	.0015096	-3.88	0.000	-.008873	-.002841
Corporate block holding	-.4818803	.3864579	-1.25	0.217	-1.25391	.290158
Product market dominance	-.0601315	.038224	-1.57	0.121	-.136494	.016231
Year |						
2014 |	-.0114661	.0126014	-0.91	0.366	-.036640	.013708
2015 |	-.0258873	.0141118	-1.83	0.071	-.054078	.002304
2016 |	-.0326008	.0145466	-2.24	0.028	-.061661	-.003540
2017 |	-.053722	.0163234	-3.29	0.002	-.086331	-.021112
2018 |	-.0566242	.0182867	-3.10	0.003	-.093156	-.020092
2019 |	-.0571021	.0197351	-2.89	0.005	-.096527	-.017676
2020 |	-.0807798	.0213803	-3.78	0.000	-.123491	-.038067
2021 |	-.0748496	.0233631	-3.20	0.002	-.121522	-.028176
2022 |	-.064513	.0258665	-2.49	0.015	-.116187	-.012838
_cons |	-.0971391	.5647983	-0.17	0.864	-1.22545	1.03117
F test that all u_i=0: F(8, 64) = 7.90		Prob > F = 0.0000				

Source: Research, 2023

The Hausman test results led to the adoption of fixed effect model. The researcher conducted a time fixed effect test to verify whether time-fixed effects are present. If the dummy variables corresponding to the years under study are zero, the time-fixed effects verify this. If the dummy variables equaled zero, an F-test was run to evaluate if the fixed effects (FE) or ordinary least squares (OLS) model should be employed. The no-difference test states that the data did not contain any fixed effects. The report indicated the presence of fixed effects in the information. Table 4 shows that the ROA chi-square value was 7.90, which translates to a 0.0000 p-value. This chi-square value was statistically favourable at 5% significance level. The chi-square results for the Tobin Q model were 7.52, with a p-value of 0.0000, according to appendix 7. This implies that the chi-square test was statistically significant at the 5% level of significance. The argument that there were no fixed effects in the data was refuted by the null hypothesis. The investigation's findings demonstrate the continuous panel effects of Tobin's Q and return on assets (ROA). This study accounted for fixed effects by replacing the ordinary least squares (OLS) model with a fixed effect model.

FGLS with ROA as the dependent or response variable

This study tested several hypotheses regarding financial performance of cross-listed entities in the EAC region and independent auditors, corporate block holding, and product market dominance all based on ROA as the dependent variable as shown below.

Table 5: FGLS Regression Results using ROA as a Dependent Variable

ROA	Coefficient	Std. err.	z	P>|z|	[95% conf.	interval]
Independent auditors	-.0070093	.001794	-3.91	0.000	-.010525	-.003493
Corporate block holding	.4417879	.1160641	3.81	0.000	.214306	.6692693
Product market dominance	.0075597	.0484493	0.16	0.876	-.087392	.1025187
constant	-.6751527	.151432	-4.46	0.000	-.97194	-.3783512
Wald chi2(8) = 60.03 Log likelihood = 172.725 Significance level 5%				Prob > chi2 = 0.0000		

Source: Research, 2023

In relation to hypothesis i, the panel regression results indicated in table 5 above indicates that independent auditors and ROA is statistically significant with a negative coefficient of -0.0070093 and a p-value of 0.0000 which is less than 5% significance level. The findings reveal that there exists an inverse correlation between independent auditors and the ROA of cross-listed companies in the EAC region. Further the results show that one unit increase in auditors' independence measured by audit tenure leads to 0.0070093 decrease in ROA. This clearly indicates that when a company engages an audit firm for long periods of time, independence of the auditor reduces, which negatively affects its performance. The findings are inconsistent to studies carried out by Rahman, Meah, and Chaudhory (2019) & Meah, Sen & Ali (2021) which supported positive association between the variables. Regarding hypothesis ii in table 5 relating to corporate block holding and ROA, the regression results shows that corporate block holding, and ROA association is significant with a positive coefficient of 0.4417879 and a p-value = 0.0000 which is below 0.05 significance level. The findings support that there exists a direct correlation between the corporate block holding and ROA of companies cross-listed at EAC region. Further, the study found that one unit increase in corporate block holding triggers 0.4417879 increase in ROA. The findings correspond to studies by Abedin et al. (2022), Tanui, 2021 & Huang & Lu (2020) but contradicts studies by Kajim (2020) which advocated for negative association between the variables.

Regarding hypothesis iii regression findings in table 5, the results show that product market dominance and ROA association is statistically insignificant with a positive coefficient of 0.0075597 and p-value = 0.876 > 0.05. The results clearly show that there exists a positive insignificant relationship between product market dominance and ROA of companies cross-listed in the EAC region. The findings also reveal that one unit increase in product market dominance contributes 0.0075597 increase in ROA. The findings in this study contradicts resource dependence theory founded by Pfeffer (1972) which stipulates that as the company's market share and reputation increase, revenues increase, which contributes to the increase in profits resulting to increase in the company's internal financing. This reduces the entity's pressure for external borrowing, reducing costs and thus increasing financial performance. The findings correspond to studies done by Mubeen et al. (2022) & Shin & Lee (2023). The results are inconsistent with studies by Königsgruber et al. (2021) & Thu & Minh (2022) which reported negative association between the variables. Table 5 indicate the Wald Chi square value of 60.03, log likelihood of 172.725 and p-value = 0.0000 < 0.05 level of significance. This means that jointly all predictor variables that includes independent auditors, corporate block holding, and product market dominance are statistically significant. This implies that jointly all explanatory variables considered in this study affect ROA which measures financial performance. The general panel

multiple regression equation was as follows. ROA = α – 0.0070093 independent auditors + 0.4417879 corporate block holding + 0.0075597 product market dominance + E_{it}

FGLS using Tobin Q as the response variable.

Table 6: FGLS Regression Results using Tobin Q as a Dependent Variable

Tobin Q	Coefficient	Std. err.	z	P>|z|	[95% conf.	interval]
Independent auditors	-.003503	.00854	-0.41	0.682	-.020249	.013240
Corporate block holding	.664648	.552692	1.20	0.229	-.418609	1.74790
Product market dominance	-.089276	.230713	-0.39	0.699	-.541468	.362914
constant	-3.55533	.7211143	-4.93	0.000	-4.96869	-2.14197
Wald chi2(8) = 135.85						
Log likelihood = 32.26563				Prob > chi2 =	0.0000	

Source: Research, 2023

In relation to hypothesis i, the panel regression results in table 6 indicates that independent auditors and Tobin Q associations is insignificant with a weak negative coefficient of -0.0035032 and a p-value = 0.682 which is above 5% significance level. The findings indicated that there exists an inverse insignificant association of independent auditors and Tobin Q of cross-listed entities in the EAC region. Further the results show that one unit increase in auditors' independence measured by audit tenure leads to 0.0035032 decrease in Tobin Q. This clearly indicates that when a company engages an audit firm for long periods of time, independence of the auditor reduces, which negatively affects its performance. The findings are inconsistent to studies carried out by Rahman, Meah, and Chaudhory (2019) & Meah, Sen & Ali (2021) which reported positive association between the variables. Regarding hypothesis ii in table 6 relating to corporate block holding and Tobin Q association is statistically unfavorable with a positive coefficient of 0.664648 and a p-value = 0.229 which is above 0.05 significance level. The findings support a direct insignificant association between corporate block holding and Tobin Q of companies cross-listed in the EAC region. Further, the study found that a unit increase in corporate block holding leads to Tobin Q's increase of 0.664648. The regression results disagree with studies by Huang & Lu (2020), Panda & Leepsa (2018) & Eluyela et al. (2020) which recorded significant and positive interaction between the variables. The findings are inconsistent to studies carried out by Kajim (2020) which advocated for negative relationship between corporate block holding and financial performance.

Regarding hypothesis iii regression findings in table 6, the results indicate that product market dominance and Tobin Q association is insignificant with a negative coefficient of -0.089276 and p-value of 0.699. The results clearly show that there exists a negative insignificant relationship between product market dominance and Tobin Q of companies cross-listed in the EAC region. The findings also reveal that one unit increase in product market dominance leads to 0.089276 decrease in Tobin Q. The findings agree with studies done by Königsgruber et al. (2021) & Thu & Minh (2022) which reported negative relationship between product market dominance and financial performance. The findings don't support studies done by Babar & Habib (2022) & Mubeen et al. (2022) which reported positive and significant association between the variables. Table 6 indicates the Wald Chi square value of 135.85, log likelihood of 32.26563 and p-value = 0.0000 which is below 5% level of significance. This means that jointly all predictor variables that includes

independent auditors, corporate block holding, and product market dominance are statistically significant. This implies that jointly all explanatory variables considered in this study influence Tobin Q. The general panel multiple regression equation was as follows. Tobin Q = α – 0.0035032 independent auditors + 0.664648 corporate block holding – 0.089276 product market dominance + $\mathcal{E}_{it}$

Testing Moderation Effect

The primary aim was to investigate how the regulatory framework, as measured by the regulatory compliance index affects the financial performance of entities cross-listed at East African Community by mediating corporate governance variables and financial performance associations. The equations 3.4, 3.5, 3.6, and 3.7 are specified below based on the regression results.

Table 7: Testing Regulatory Compliance Index as an Explanatory Variable

ROA	Coefficient ($\mathcal{B}$)	Std. err.	z	P>|z|	[95% conf.	interval]
Independent auditors	-.007261	.001788	-4.06	0.000	-.010765	-.003757
Corporate block holding	.292212	.162734	1.80	0.073	-.026740	.611166
Product market dominance	.0016463	.048216	0.03	0.973	-.092857	.096149
Regulatory compliance index	.060538	.04660	1.30	0.194	-.03080	.151882
Constant	-.620345	.15585	-3.98	0.000	-.92581	-.31488
Wald chi2(9) = 62.84						
Log likelihood = 173.5609			Prob > chi2 =		0.0000	

Source: Research, 2023

Table 7 above involves testing regulatory compliance as an explanatory variable. The findings indicated that with a coefficient (B) of independent auditors of -0.0072616 and p-value = 0.000, and corporate block holding of 0.2922127 and p-value = 0.053 were statistically favorable at 5% level of significance. The results further indicate that with a coefficient (B) product market dominance of 0.0016463 and p-value = 0.973, and regulatory compliance with a coefficient (B) = 0.0605381 and p-value = 0.194 were unfavorable at 5% level of significance. In table 7 indicate the Wald Chi square value of 62.84, log likelihood of 173.5609 and p-value = 0.0000< 5% level of significance. The regression coefficients were used to develop panel multiple regression equation 3.4 as follows. ROA = -0.6203456 – 0.0072616 independent auditors + 0.29221227 corporate block holding + 0.0016463 product market dominance + E_{it}. The coefficient of regulatory compliance 0.0605381, p-value = 0.194 was insignificant at 5% level of significance. In line with MacKinnon et.al., (2002), argued that in a case where moderator variable is statistically unfavorable, regulatory compliance index is treated as a moderator variable on corporate governance mechanisms and ROA. This requires inclusion of regulatory compliance index variable interactions effect in the model.

Table 8: Moderating Effect of Regulatory Compliance Index

ROA	Coefficient	Std. err.	z	P>|z|	[95% conf.	interval]
Independent auditors	-.017134	.009767	-1.75	0.049	-.036277	.002008
Corporate block holding	1.393142	.6341167	2.20	0.028	.150295	2.63598
Product market dominance	-.621666	.2862892	-2.17	0.030	-1.18278	-.0605497
Regulatory compliance index	.150064	1.31667	0.11	0.040	-2.43056	2.73069
IA*RCI	.016054	.012118	1.32	0.015	-.007698	.0398061
CBH*RCI	-.1013067	.989144	-0.10	0.918	-2.03999	1.837381
PMD*RCI	.8125781	.390761	2.08	0.038	.0466997	1.578456
Constant	-1.316637	.983266	-1.34	0.181	-3.24380	.6105293
Wald chi2(13) = 48.84						
Log likelihood = 169.237				Prob > chi2 =	0.0000	

Source: Research, 2023

The results also show that regulatory framework had insignificant and inverse moderating effect corporate block holding and financial performance correlation as indicated by coefficient of -0.1013067 and p-value = 0.918. At 5% level of significance, the report shows that regulatory compliance index had a significant positive influence on independent auditors, product market dominance and financial performance connections with coefficients of 0.016054, 0.8125781 and p-value 0.015 and 0.038 respectively. The panel regression analysis presented in table 8 indicates the Wald Chi square value of 48.84, log likelihood of 169.237 and p-value = 0.0000 which is below 5% level of significance. The regression coefficients were used to develop panel multiple regression equation 3.6 as follows. ROA = -1.316637 – 0.0171349 independent auditors + 1.3931142 corporate block holding – 0.6216662 product market dominance + 0.1500641 regulatory framework + 0.016054 IA * RCI – 0.1013067 CBH * RCI + 0.8125781 PMD * RCI + E_{it}.

Table 9: Testing Regulatory Compliance Index as an Explanatory Variable using TOBIN Q

Tobin Q	Coefficient	Std. err.	z	P>|z|	[95% conf.	interval]
Independent auditors	.001402	.0071551	0.20	0.845	-.012621	.0154257
Corporate block holding	3.57283	.651226	5.49	0.000	2.296457	4.849216
Product market dominance	.0256974	.192953	0.13	0.894	-.352483	.4038783
Regulatory compliance index	-1.17704	.186502	-6.31	0.000	-1.54257	-.811502
Constant	-4.62095	.623685	-7.41	0.000	-5.84335	-3.398549
Wald chi2(9) = 235.80						
Log likelihood = 48.75444				Prob > chi2 =	0.0000	

Source: Research, 2023

The findings indicated that with a coefficient (B) of corporate block holding of 0.3.572836 and p-value = 0.000 were statistically significant at 5% level of significance. The results further indicate

that with a coefficient (B) of product market dominance of 0.0256974 and p-value = 0.894 was unfavorable or insignificant at 5% level of significance. The coefficient of regulatory compliance -1.177041 and p-value = 0.000 was statistically significant at 5% level of significance. In line with MacKinnon et.al (2002), regulatory compliance is treated as an explanatory variable when response variable is Tobin Q. This requires inclusion of regulatory framework variable as a predictor variable. In table 9 indicate the Wald Chi square value of 235.80, log likelihood of 48.75444 and p-value = 0.0000 < 5% level of significance. The regression coefficients were used to develop panel multiple regression equation 3.5 as follows. Tobin Q = -4.62095 + 0.001402 independent auditors + 3.572836 corporate block holding + 0.0256974 product market dominance + E_{it}.

CONCLUSIONS AND IMPLICATIONS OF THE STUDY

This study's findings and conclusion provide the following recommendations for the policy and practice; Firstly, this study concludes that longer auditor tenure lowers a company's financial performance; consequently, companies with shorter or standard term engagement periods outperform those with longer engagement periods. The first hypothesis, on the other hand, stated that independent auditors don't have a significant association on financial performance. This analysis concludes that higher block holding significantly contributes to increased financial performance measured by ROA, in line with hypothesis two, which states that corporate block holding has no significant impact on financial performance. This analysis presented no direct correlation between increased product market domination and improved financial performance, in line with hypothesis two, which states that there is no substantial link between the two.

Furthermore, the relationships between corporate governance and financial performance have been impacted by the addition of the regulatory environment as a moderating component on financial performance and corporate governance connections. This study documented that regulatory framework moderates the relationship when ROA is used to measure financial performance, but it does not moderate the association between Tobin Q and corporate governance mechanisms when Tobin Q is used as a statistically significant explanatory variable. As a result, having an effective regulatory framework improves business financial performance and operational structures. Finally, the findings made it abundantly evident that various financial performance metrics should be considered because they react differently to corporate governance practices. The following findings support this conclusion: Corporate block holding has a positive and significant relationship on ROA and a positive insignificant relationship on Tobin Q; product market dominance reported a positive and insignificant relationship on ROA and a negative insignificant relation on Tobin Q; independent auditors have an inverse relationship on ROA and an insignificant relationship on Tobin Q.

The study found that the regulatory framework, as evaluated by the regulatory compliance index, had a detrimental impact on financial performance when used as an explanatory factor. Consequently, this study suggests that policy makers should implement stringent restrictions that directly impact organizations' performance. Additionally, it is recommended that important stakeholders be actively engaged in the formulation of policy guidelines. Additionally, this study discovered that the regulatory framework plays a role in modulating the connection between corporate governance mechanisms and financial performance. This study suggests that policy makers should exercise careful consideration while formulating regulations, aiming to enhance

their effectiveness in facilitating managerial functions within firms, ultimately leading to improved company performance.

REFERENCES

Assenga, M.P., Aly, D., & Hussainey, K. (2018). "The impact of board characteristics on the financial performance of Tanzanian firms", Corporate Governance, *18*(6), pp.1089- 1106.

Aik Leng, A.C. (2004). The Impact of Corporate governance mechanisms on Firms' Financial Performance: Evidence from Malaysian Companies. *ASEAN Economic Bulletin 21*(3), 308- 318. https://www.muse.jhu.edu/article/387800.

Aluchna, Maria, & Tomasz Kuszewski. (2020). "Does Corporate Governance Compliance Increase Company Value? Evidence from the Best Practice of the Board" *Journal of Risk and Financial Management* 13, no. 10: 242. https://doi.org/10.3390/jrfm13100242

Akhtartuddin, M., Hossain, M. A., Hossain, M., & Yao, L. (2009). Corporate governance and voluntary disclosure in corporate annual reports of Malaysian listed firms. JAMAR, *7* (1), 1-20.

Abatecola G., Caputo A., Mari M., & Poggesi S. (2012) Relations among corporate governance, codes of conduct, and the profitability of public utilities: an empirical study of companies on the Italian stock exchange. International Journal of Management *29*(2):611–626

Aluchna, M. (2009). Does good Corporate Governance matter? Best practice in Poland. Management Research News, 32(2), 185-198.

Berry, W. D., & Feldman, S. (1985). Multiple regression in practice (No. 50). Newbury

Park, CA: Sage Publications

Burke L., Logsdon J.M., Mitchell W., Reiner M., & Vogel D. (1986) Corporate community involvement in the San Francisco Bay Area. Califonia Management *28*(3):122–141

Baltagi, B. H. (2008). Forecasting with panel data. Journal of forecasting, 27(2), 153-173.

Baron, R. M., & Kenny, D. A. (1986). The moderator–mediator variable distinction in social psychological research: Conceptual, strategic, and statistical considerations. Journal of Personality and Social Psychology, *51*(6), 1173.

Baysinger, B. D., & Butler, H. D. (1985). Corporate Governance and the Board of Directors: Performance Effects of Changes in Board Composition, Journal of Law, Economics and Organization 1, 101−124.530

Becht, M., Bolton, P., & Rosell, A. (2002). Corporate Governance and Control, w9371, National Bureau of Economic Research, Cambridge, MA.

Ben Abdallah, M., & Bahloul, S. (2021). "Disclosure, Shariah governance and financial performance in Islamic banks", Asian Journal of Economics and Banking, Vol. 5 No. 3, pp. 234-254.

Ben Abdallah, M. & Bahloul, S. (2021), "Disclosure, Shariah governance and financial performance in Islamic banks", Asian Journal of Economics and Banking, Vol. 5 No. 3, pp. 234-254.

Breusch, T. S., & Pagan, A. R. (1980). The Lagrange multiplier test and its applications to model specification in econometrics. Review of economic studies, *47*(1), 239-253.

Bates, R. (2008), 'Political Conflict and State Failure', The Political Economy of Economic Growth in Africa 1960-2000, Cambridge: Cambridge University Press, pp.249296.

Bryman, A. and Bell, E. (2003) Business Research Methods. Oxford University Press, Oxford.

Barka, H., & Legendre, F. (2017). Effect of the board of directors and the audit committee on firm performance: a panel data analysis. *Journal of Management & Governance*, *21*, 737-755.

Bufarwa, I.M., Elamer, A.A., Ntim, C.G. and AlHares, A. (2020). "Gender diversity, corporate governance and financial risk disclosure in the UK", *International Journal of Law and Management*, Vol. 62 No. 6, pp. 521-538. https://doi.org/10.1108/IJLMA-10-2018-0245

Charumathi (2011). Corporate Governance and Timeliness of Financial Reporting by Indian Companies: An Empirical Study. Indian Journal of Corporate Governance, 4(1), 21-28. https://doi.org/10.1177/0974686220110102

Cadbury, A. (1992). Codes of Best Practice, Report from the committee on Financial Aspects of Corporate Governance. London, Gee Publishing.

Carter, D., Simkins, B., & Simpson, W. (2010). The Gender and Ethnic Diversity of US Boards and Board Committees and Firm Financial Performance, Corporate Governance An International Review *18*(5):396 – 414.

Cheserek (2007). The Determinants of Bank Failures: a Survey of Commercial Banks in Kenya. http://erepository.uonbi.ac.ke:8080/xmlui/handle/123456789/7842

Cooper, D.R., & Schindler, P.S. (2006). Business Research Methods, 9th, edition. New

Delhi-India: McGraw-Hill Publishing, Co. Ltd.

Choi, I. (2001). Unit root tests for panel data. Journal of International Money and Finance, 20,249-272.

CMSA (2022). Home |Capital Market and Securities Authority (cmsa.go.tz)

Daily, C. M, Dalton, D. R., & Cannella, A. A.(2003). Corporate Governance: Decades of Dialogue and Data, The Academy of Management Review, vol. 28, pp.371-82.

Dahya, J. (2016). Social Capital and Investment Performance: Evidence from Pe Investing in Lbos. *Available at SSRN 4334443*.

Duran *et al.* (2019). The impact of institutions on the competitive advantage of publicly listed family firms in emerging markets, Global Strategy Journal

Dean, D., Koneru, S., Lee, J., Kamath, J., & Goldberg, J. (1998). Modelling the Effects of Health on Economic Growth, Journal of Japanese and International Economies, 8, 235-271.

Cherryholmes, C. H. (1992). Notes on pragmatism and scientific realism. Educational researcher, *21*(6), 13-17.

Chou J, Lilian N, Valeriy S., & Qinghai W. (2010). Product Market Competition and Corporate Governance. Rev Dev Finance *1*(2):114–1

Caha, (2017). Ethical Overlaps of Environmental and Economic Interests in coming years. Science and Engineering Ethics, *24*(6), 1801-1807

Claessens & Yurtoglu (2013). Corporate governance in emerging markets: A survey, Emerging Markets Review, Volume 15, Pages 1-33, ISSN 1566-0141, https://doi.org/10.1016/j.ememar.2012.03.002.

Claessens, S., Djankov, S., Fan, J., & Lang, L. (1999). Expropriation of minority shareholders in East Asia. Unpublished working paper. The World Bank, Washington, DC.

CFA Institute Research Foundation (2022). East Africa Report. https://www.cfainstitute.org/-/media/documents/article/rf-brief/east-africa.ashx

CMA (2012). Statistical bulletin www.cma .or.ke.

Creswell, J. W. (2013). Steps in conducting a scholarly mixed methods study.

Crowther, D., & Lancaster, G. (2008). Research Methods: A Concise Introduction to Research in Management and Business Consultancy. Oxford: Butterworth-Heinemann.

Daidai, F., & Tamnine, L. (2022). The impact of the governance code on the management of results of listed companies in the emerging market. *Journal of Governance & Regulation*, *11*(2), 181–193. https://doi.org/10.22495/jgrv11i2art16

De Silva, L. D., & Wanniarachchige, M. K. (2022). Corporate Governance Compliance among the Listed Firms in Colombo Stock Exchange: Does Size Matter?. *South Asian Journal of Business Insights*, *2*(1), 33–50. DOI: http://doi.org/10.4038/sajbi.v2i1.32

Damane, M. (2019). The effects of regional regulatory framework on firm value and financial performance: drawing lessons for Lesotho. African Journal of Accounting, Auditing and Finance, *6*(3), 201-235.

Davis, J. H., Schoorman, F. D., & Donaldson, L. (1997). Toward a stewardship theory of management. Academy of Management review, *22*(1), 20-47

Dean, D., Koneru, S., Lee, J., Kamath, J., & Goldberg, J. (1998). Modelling the Effects of Health In Economic Growth, Journal of Japanese and International Economies, 8,235-271

Dzingai, Isaih, & Michael Bamidele Fakoya (2017). "Effect of Corporate Governance Structure on the Financial Performance of Johannesburg Stock Exchange (JSE)-

Listed Mining Firms" *Sustainability* 9, no. 6: 867. https://doi.org/10.3390/su9060867

Donaldson, L., & Davis, J. H. (1991). Stewardship theory or agency theory: CEO governance and shareholder returns. Australian Journal of Management, *16*(1), 49-64. Corporate performance. Journal of Business Venturing: 375-386.

Elgattani, T., & Hussainey, K. (2021). "The impact of AAOIFI governance disclosure on Islamic banks performance", Journal of Financial Reporting and Accounting, Vol. 19 No. 3, pp. 434-454.

Eisenhardt K. (1989) Agency and institutional explanations of compensation in retail sales. Academy of Management Journal, *31*, 488–511. Link, Google Scholar

East African Community report (2016). Regional vision for socio-economic transformation and development.https://planning.go.ke/wpcontent/uploads/2021/03/eac_vision_2050.

Elgattani, T., & Hussainey, K. (2021), "The impact of AAOIFI governance disclosure on Islamic banks performance", Journal of Financial Reporting and Accounting, Vol. 19 No. 3, pp. 434-454

Eriotis, N., Vasiliou, D., and Ventoura-Neokosmidi, Z. (2007). "*How regulatory framework affect capital structure: an empirical study*", *Managerial Finance*, Vol. 33 No. 5, pp. 321-31

Esman, M., & Nyamongo, K., T. (2013). The effect of governance on performance of commercial banks in Kenya: a panel study", Corporate Governance, The international journal of business in society, *13* (3), 236-248

Freeman, R. E. (1989). Divergent stakeholder theory. Academy of Management Review, *24*(2), 33-236.

Fulgence, S.E. (2014). "Corporate governance in Tanzania",in Idowu, S.O. & Caliyurt, K.T., Corporate Governance: An International Perspective, Springer Science and Business Media, Heidelberg Berlin, pp. 157-185.

Greene, W. H. (2007). Fixed and random effects models for count data.

Gillan (2006). Managerial Response to Investor Environmental Demand: The Role of Firm Ownership Structure.

Greene, W.H., (2008). Econometric Analysis (6th ed.). Upper Saddle River, N.J.: Prentice Hall

Gujarati, D. N., & Porter, D. C. (2003). Basic econometrics (ed.). Singapore: McGrew Hill Book Co.

Gujarati, D. (2003). Basic Econometrics (4th ed.). New York: McGraw Hill.

Gale D. (2000). Corporate Governance and Competition. In: Vives X, ed. *Corporate Governance: Theoretical and Empirical Perspectives*. Cambridge: Cambridge University Press :23-94. doi:10.1017/CBO9781139175333.003

Huang, H., & Lu (2020). Shareholder rights and the cost of equity capital. Nakai Business Review International Vol.2 issue 3.

Hillman, A. J. and Dalziel, T. (2003) "Boards of Directors and Firm Performance: Integrating Agency and Resource Dependence Perspectives," Academy of Management Review 28: 383–96.

Hillman, A. J., Withers, M. C., & Collins, B. J. (2009). Resource Dependence Theory: A Review. https://doi.org/10.1177/0149206309343469

Haniffa, R. and Hudaib, M., (2006). Corporate governance structure and performance of Malaysian listed companies. Journal of Business Finance & Accounting, 33: 1034–62.

Hill, Charles W. L., & Thomas M. Jones (1992). 'Stakeholder-agency theory'. *Journal of Management Studies* 29: 131-154.

Holmstrom, Bengt., & Kaplan, Steven N. (2003). "The State of U.S. Corporate Governance: What's Right and What's Wrong?" Journal of Applied Corporate Finance 15: 8–20.

Irving, J. (2005). Regional integration of stock exchanges in Eastern and Southern Africa: Progress and prospects. IMF Working Paper WP/05/122, Washington: International Monetary Fund.

Jensen M., & W. Meckling (1976). Theory of the firm: managerial behaviour, agency costs, and ownership structure, Journal of Financial Economics, 305-360.

Keasey, K., & Wright, M..(1993). Issues in Corporate Accountability and Governance. Accounting and Business Research. Vol. 23 (91a) Pages 291-303

Kerlinger, F. N. (1973). Review of research in education.

Kerlinger, F. N., Lee, H. B., & Bhanthumnavin, D. (2000). Foundations of behavioral research: The most sustainable popular textbook. Journal of Social development, 13: 131-144.

Khanifah, K., Hardiningsih, P., Darmaryantiko, A., Iryantik, I., & Udin, U. (2020). The effect of corporate governance disclosure on banking performance: Empirical evidence from Iran, Saudi Arabia, and Malaysia. Journal of Asian Finance, Economics, and Business, *7*(3), 41-51.

Khrawish, H. A. (2011). Determinants of commercial banks performance: evidence from Jordan. International Research Journal of Finance and Economics, 81, 148-159.

Kock, C.J., Santaló, J., & Diestre, L. (2012). 'Corporate governance and the environment: what type of governance creates greener companies?' Journal of Management Studies, *49*(3), 492– 514.

Kor & Misangyi (2008). Outside directors' industry-specific experience and firms' liability of newness. Strategic Management Journal, *29* (12), 1345-1355

Kingstone Nyakurukwa (2022). The Zimbabwe Code on Corporate Governance (Zimcode) and Financial Performance, Journal of African Business, 23:3, 549 567, DOI: 10.1080/15228916.2021.1889871

Kang (2006). Analysing 'System Change': The Role of Institutional Complementarity in Corporate Governance. International Centre for Corporate Social Responsibility Nottingham University Business School Nottingham University, Research Paper Series

Kowalewski, O. (2016). "Corporate governance and corporate performance: financial crisis (2008)", *Management Research Review*, Vol. 39 No. 11, pp. 1494-1515. https://doi.org/10.1108/MRR-12-2014-0287

Kothari, C.R. (2004). Research methodology: Methods and techniques (2nd ed.), New

Delhi: New Age International.

Königsgruber, R., Perotti, P., Schinnerl, O., Tsoligkas, F., & Windisch, D. (2021). Product Market Competition and Firms' Disclosure of Cross-segment Differences in Performance. Abacus, 57(4), pp. 709-736.

Laitinen, E.K. (2002). A dynamic performance measurement system: evidence from small Finnish technology companies. Scandinavian Journal of Management, 18: 65– 99.

Leftwich, R. W., Watts, R. L., & Zimmerman, J. L. (1981). Voluntary Corporate Disclosure: The Case of Interim Reporting. Journal of Accounting Research, 19: 50–77.

Liargovas, P., & Skandalis, K.S. (2018). Factors Affecting Firms' Performance: The Case of

Greece. *Global Business and Management Research: An International Journal*, *2*, 184.

Liu Q., Qu X., Wang D., Abbas J., and Mubeen R. (2022). Product Market Competition and Firm Performance: Business Survival Through Innovation and Entrepreneurial Orientation Amid COVID-19 Financial Crisis. Front. Psychol. 12:790923. doi: 10.3389/fpsyg.2021.790923

Mubeen R., Han D., Abbas J., Raza S., & Bodian W. (2022). Examining the Association Between Product Market Competition and Chinese Firms Performance: The Mediating Impact of Capital Structure and Moderating Influence of Firm Size. Front. Psychol. 12:709678. doi: 10.3389/fpsyg.2021.70967

Maina, P. (2019). Effect of regulatory framework on stock liquidity in East Africa security exchanges (Doctoral dissertation, Strathmore University).

Mitnick, Barry M. (2019). Origin of the Theory of Agency: An Account By One of the Theory's Originators. https://ssrn.com/abstract=1020378 or http://dx.doi.org/10.2139/ssrn.1020378

Mujih, Edwin (2021) *Corporate governance reform and corporate failure in the UK.* Company Lawyer, 42 (4). pp. 109-119. ISSN 0144-1027

Madison, K., Holt, D.T., Kellermanns, F.W., & Ranft, A.L. (2016). Viewing family firm behavior and governance through the lens of agency and stewardship theories. Family Business Review, 29(1), 65-93.

Malik, H. (2011). Determinants of insurance companies' profitability: an analysis of insurance sector of Pakistan. Academic Research International Volume 1, Issue 3. 1 (3), 315-321.

Malik, M. S., & Makhdoom, D. D. (2016). Does Corporate Governance Beget Firm Performance in Fortune Global 500 Companies? Corporate Governance: The International Journal of Business in Society, *16*(4), 747–764. http://doi.org/10.1108/CG- 12-2015-0156

Mbithi, P. K., & Wasike, S. (2019). Effect of transparency and accountability on sustainability of the banking industry in Kenya. International Academic Journal of Economics and Finance, *3*(3), 382-397

Md. Zain, Noor & Ibrahim, Noor ayuernie & Tamsir, Fazilah & Md Kassim, Aza Azlina (2019). Directors' Remuneration & Board Structure Impact on Firm Performance. 10.24018/ejbmr.2019.4.4.96.

Mugenda, O., & Mugenda, A. G. (2003). Research methods: Qualitative and quantitative approaches. Acts Press, Nairobi, Kenya

Mugenda, O. M., & Mugenda, A. G. (1999). Research methods: Quantitative and qualitative approaches. Acts press.

Muhammad, N., Malik, Durayya, D., M. (2016). Does corporate governance beget firm performance in Fortune Global 500 companies?, Journal of Corporate Governance, Vol. 16

Mishra, S., & Mohanty, P. (2018). 'Does good governance lead to better financial performance?', Int. J. Corporate Governance, Vol. 9, No. 4, pp.462–480.

Nambiro, C. A. (2007). Association between levels of Implementation of CMA Guidelines on Corporate Governance and Profitability of Cross-listed companies at the Nairobi Stock Exchange (Doctoral Dissertation, University of Nairobi).

Ngechu, M. (2004). Understanding the research process and methods. An introduction to research methods.

Nobanee, H., & Ellili, N.O.D. (2022), "Voluntary corporate governance disclosure and bank performance: evidence from an emerging market", Corporate Governance, Vol. 22 No. 4, pp. 702-719

NSE (2013). History of NSE. Retrieved from http://www.nse.co.ke › About NSE

OECD (2004). OECD Principles of Corporate Governance, Revised version, Organization for Economic Co-operation and Development (OECD), Paris

Oino, I. (2019). Do disclosure and transparency affect bank's financial performance? Corporate Governance, *19(*6), 1344 – 1361.

Ondigo (2016). Effect of corporate governance, risk management and regulatory compliance on the financial performance of commercial banks in Kenya, Unpublished Thesis Paper

Outa, E.R., & Waweru, N.M. (2016). "Corporate governance guidelines compliance and firm financial performance: Kenya listed companies", Managerial Auditing Journal, Vol. 31 No. 8/9, pp. 891-914. https://doi.org/10.1108/MAJ-12-2015-1291

Outa, E.R., Eisenberg, P., & Ozili, P.K. (2017). "The impact of corporate governance code on earnings management in listed non-financial firms: Evidence from Kenya", Journal of Accounting in Emerging Economies, Vol. 7 No. 4, pp. 428-444. https://doi.org/10.1108/JAEE-09-2016-0081

Orlikowski, W. J., & Baroudi, J. J. (1991). Studying information technology in organizations: Research approaches and assumptions. Information systems research, *2*(1), 1-28.

Palaniappan, G., (2017). Determinants of corporate financial performance relating to board characteristics of corporate governance in Indian manufacturing industry: An empirical study, European Journal of Management and Business Economics, Vol 26 (1), 67-85

Peng, Huang & Yue Lu, (2020). "Institutional block holders and the variability of firm performance," International Journal of Managerial Finance, Emerald Group Publishing Limited, vol. *18*(1), pages 118-137, December.

Poi, B., & Wiggins, V. (2001). Testing for panel-level Heteroscedasticity and Autocorrelation. StataCorp LP.

Padilla, A., (2002). Can agency theory justify the regulation of insider trading? *Quart J Austrian Econ* **5**, 3–38. https://doi.org/10.1007/s12113-002-1015-6

Prowse, S. (1997). Corporate control in commercial banks. Journal of Financial Research, *20*(4), 509-527.

R. S. Olusegun Wallace, Kamal Naser & Araceli Mora (1994). The Association Between the Comprehensiveness of Corporate Annual Reports and Regulatory framework in Spain, Accounting and Business Research, *25* (97), 41-53

Rahman, M. M., Meah, M. R., & Chaudhory, N. U. (2019). The impact of audit characteristics on financial performance: an empirical study from an emerging economy. The Journal of Asian Finance, Economics and Business, *6(*1), 59-69.

Robson,C.(2002). Real World Research: A Resource for Social Scientist and practioners, Research oxford Blackwell.

Saunders, M., Lewis, P., & Thornhill, A. (2009) Research methods for business students, 5th ed., Harlow, Pearson Education

Saunders, M., Lewis, P. & Thornhill, A. (2012). Research Methods for Business Students, 6th edition, Pearson Education Limited

Saunders, M., Lewis, P., & Thornhill, A. (2009). Research methods for business students, 5th Ed. Pearson Education India.

Shapiro, S. S., & Wilk, M. B. (1965). An analysis of variance test for normality (complete samples). Biometrika, *52*(3/4), 591-611.

Shapiro, S.S., & Wilk, M.B. (1965). An Analysis of Variance Test for Normality (Complete Samples). Biometrika, *52*(3/4), 591-611.

Sekaran, U. (2006). Research Methods for Business Students: A Skill Building Approach. John Wiley & Sons.

Shleifer, A., and Vishny, R., W. (1997). A Survey of Corporate Governance, The Journal of Finance, *52*(2), 737-783.

Smallman, C. (2004). 'Exploring theoretical paradigms in corporate governance', Int. J. Business Governance and Ethics, Vol. 1, No. 1, pp.78-94.

Subramanyam, M., & Dasaraju, H. (2014). Corporate Governance and Disclosure Mechanisms in Listed Information Technology (IT) Companies in India. Open Journal of Accounting, *3*(4), 89–106.

Resnik, D. B., Rasmussen, L. M., & Kissling, G. E. (2015). An international study of research misconduct policies. Accountability in research, *22*(5), 249-266.

Thu, P. A., & Minh, M. T. H. (2023). The moderating role of state ownership in between product market competition and firm value: findings from GMM and fsQCA. Business Strategy & Development, 6(1), 3–12. https://doi.org/10.1002/bsd2.218

T. E. Cooke (1989). Disclosure in the Corporate Annual Reports of Swedish Companies, Accounting and Business Research, *19*(74), 113-124

Trochim, W. M. (2005). Research methods: The concise knowledge base. Atomic Dog Publishing.

Tadesse, S. (2004). The allocation and monitoring role of capital markets: theory and international evidence. Journal of financial and quantitative analysis, *39*(4): 701–730.

Tariq, Y.B., Ejaz, A., & Bashir, M.F. (2022). "Convergence and compliance of corporate governance codes: a study of 11 Asian emerging economies", Corporate Governance, Vol. 22 No. 6, pp. 1293-1307. https://doi.org/10.1108/CG-08-2021-0302

Ullah, M.S., Muttakin, M.B. and Khan, A. (2019). "Corporate governance and corporate social responsibility disclosures in insurance companies", International Journal of Accounting & Information Management, Vol. 27 No. 2, pp. 284-300.

Waweru, N. M., & Prot, N. P. (2018). Corporate Governance Compliance and Accrual Earnings Management in Eastern Africa: Evidence from Kenya and Tanzania. Managerial Auditing Journal, 33, 171-191. https://doi.org/10.1108/MAJ-09-2016-1438

Wooldridge, J. M. (2002). Econometric Analysis of Cross Section and Panel Data. Cambridge, MA: MIT Press.

Whisman, M.A., & McClelland, G.H. (2005). Designing, testing, and interpreting interactions and moderator effects in family research. *Journal of family psychology: JFP: journal of the Division of Family Psychology of the American Psychological Association, 19 1,* 111-20.

Yue Chen, Xiaotong Yang, Chun Yuan, & Bing Zhu (2022). Product market competition and the disclosure of supply chain information, China Journal of Accounting Research, Volume 15, Issue 1, 100223, ISSN 1755-3091

Yasuda, T. (2005). Firm Growth, Size, Age and Behavior in Japanese Manufacturing. Small Business Economics, 24, 1-15. https://doi.org/10.1007/s11187-005-7568-y

Yeh, T. M. (2014). Large shareholders, shareholder proposals, and financial performance: Evidence from Japan. Corporate Governance: An International Review, *22*(4), 312-329.

Yuan George Shan & Ron P. McIver (2011). Corporate governance mechanisms and financial performance in China: panel data evidence on listed non- financial companies, Asia Pacific Business Review, 17:3, 301-324, DOI: 10.1080/13602380903522325

Zaman, R., Arslan, M., & Siddiqui, M.A. (2014). Corporate Governance and Firm Performance: The Role of Transparency & Disclosure in Banking Sector of Pakistan. *International Letters of Social and Humanistic Sciences, 43,* 152-166

Zikmund, W., G., Babin, B., J., Carr, J., C., & Griffin, M. (2013). Business Research Methods. Boston, MA: Cengage Learning.

Zeitun, R., & Tian, G. G. (2007). Does ownership affect a firm's performance and default risk in Jordan? Corporate Governance, *7*(1), 66

Zhou, F., Zhang, Z., Yang, J., Su, Y., & An, Y. (2018). "Delisting pressure, executive compensation, and corporate fraud: evidence from China", Pacific-Basin Finance Journal, Vol. 48, pp. 17-34